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SUBJECT: RWANDA ECONOMIC REVIEW

REF: KIGALI 623

11. (U) This issue of the Rwanda Economic Review Covers:

Development Issues

- Government of Rwanda (GOR) consolidates seven agencies into the Rwanda Development Board (RDB)
- World Bank approves \$24 million for ICT infrastructure
- GOR offers subsidies to local exporters
- Central Bank provides guarantee support to microfinance firms

Commercial Issues:

- Hong Kong based New Century Development LTD plans new 5 star hotel in Kigali
- Chinese owned A-link Technologies opens cell phone assembly plant
- South African Blue Financial Services opens branch in Kigali
- Coffee sees 23 percent price drop and lower than anticipated production

Economic Indicators:

- Inflation continues to climb

Development Issues

12. (U) RDB: The GOR cabinet has approved the consolidation of seven government agencies under the newly formed RDB. The consolidated agencies include the Investment Promotion Agency - RIEPA, the Office of National Parks and Tourism - ORTPN, the Information and Technology Authority - RITA, Human Resource Development Agency - HIDA, the privatization secretariat, the Center for Support to Small and Medium Enterprise - CAPMER and the Commercial Registration Agency - RCRSA. U.S. businessman Joe Ritchie has been appointed CEO of RDB and the former agency directors of RIEPA, RITA and ORTPN have been named as Deputy CEOs. RDB will report to the Office of the Presidency and appears to be focused on bolstering foreign direct investment (FDI) into Rwanda. FDI in Rwanda has lagged behind other countries in the region despite aggressive marketing by President Kagame (reftel). It is so far unclear if the formerly autonomous agencies will

be restructured, or disappear entirely.

¶3. (U) World Bank: The World Bank will provide \$24 million for the Regional Communication Infrastructure Rwanda Project (RCIPRW). The fund is part of \$424 million allocated to Southern and Eastern Africa intended to extend access to broadband communications and expand the deployment of e-government. The program complements the submarine fiber optic cable projects being implemented along the East coast of Africa to link the region into the global communications network.

¶4. (U) Export Subsidies: The Rwanda Investment and Export Promotion Agency (RIEPA - now part of RDB) has launched the Rwanda Competitiveness for Export Fund (RWACEF) with the aim of assisting local export companies enter new markets by subsidizing some export costs such as airfreight (where high costs have made exports less competitive). The pilot project with initial funding of \$300,000 will subsidize up to 65 percent of export related costs for targeted export industries such as cut flowers.

¶5. (U) Microfinance guarantees: The Rwanda Central Bank (BNR) has launched a loan guarantee program to facilitate commercial bank lending to micro-finance organizations. The Fund - Soci  t   Mutuelle de Garantie pour le Re-financement (SMGF) - will initially be capitalized at \$900,000.

Commercial Issues

¶6. (U) New Five Star Hotel Planned: New Century Development Limited, a Chinese company based in Hong Kong plans construction of a new five star hotel in central Kigali. The hotel will reportedly have 200 rooms and cost \$40 million. Billy Y.T. Cheung CEO of Africa Star Limited, a subsidiary of New Century Development, told reporters that construction will begin in January 2009 and take two years to complete. According to Cheung, the hotel will be the Chinese company's first investment in Africa.

¶7. (U) Cell phone assembly: A-link Technologies, a subsidiary of Beijing-based China Link, has opened a cell phone assembly plant in Kigali with an initial investment of \$.5 million and a production capacity of 600 mobile phones per day (current production is 200 per day). The phones, which sell at \$39 will compete against imported phones from Nokia, Motorola and Samsung, which currently sell at an average price of \$40 per phone. A-link is also planning to assemble radios in Rwanda.

¶8. (U) Microfinance: South African-owned Blue Financial Services has opened a branch in Kigali and plans to offer microfinance loans and services. Investor Relations Manager Morne Reiders said the investment in Rwanda was partially supported with assistance from the Overseas Private Investment Corporation (OPIC). The Rwandan Central Bank has approved a license for Blue Financial Services to operate as a non-deposit-taking micro-finance institution.

¶9. (U) Coffee: World coffee prices have fallen 23 percent in the last month negatively affecting Rwanda's coffee export earnings. Coffee is currently selling at \$1.17 per pound compared to \$1.53 per pound a few months ago (Note: Rwandan speciality coffees are selling well above this price level - top selections from the Cup of Excellence competition were recently auctioned for as much as \$18 per pound. End note) . Rwandan production will also be lower than expected at 23,000 tons for the year compared to 29,000 tons that were previously projected. Coffee is one of Rwanda's top three export products; approximately 20 percent of Rwanda's coffee is exported to the United States.

Economic Indicators

¶10. (U) Inflation: The Rwanda National Institute of Statistics in September reported ongoing strengthening of inflationary pressures. The annualized Consumer Price Index (CPI) general index increased to 21 percent for the 12 months ending in September - up from 13 percent in January and 18.3 percent in July. Prices for bread, cereals, meat and fish all increased by over 35 percent compared to last year. Transportation, housing, water and electricity costs also grew by over 20 percent. Central Bank Governor Francois Kanimba blamed high global commodity prices for the rising inflation.

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